RAJYA SABHA

Tuesday, the 10*th December,* 2002/19 *Agrahayana,* 1924 (*Saka*)

The House met at eleven of the clock,

MR. CHAIRMAN in the Chair.

ORAL ANSWERS TO QUESTIONS

Size of Public Holding in a Company

*281. SHRI PARMESHWAR KUMAR AGARWALLA: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether it is a fact that SEBI is in favour of hiking the minimum size of public holding in a company from 10 to 25 per cent;

(b) if so, what are the details in this regard; and

(c) by when a final decision is likely to be taken?

THE MINISTER OF FINANCE AND COMPANY AFFAIRS (SHRI JASWANT SINGH): (a) No, Sir.

(b) and (c) Do not arise.

SHRI PARMESHWAR KUMAR AGARWALLA: Sir, when there is a steep rise and fall in the stock of a listed company on one single trading day, it goes without saying that there is a large-scale manipulation. What does the SEBI propose to do? Is the SEBI taking any action to prevent such manipulation?

SHRI JASWANT SINGH: Sir, the question of functioning of SEBI does not strictly arise from the original question. But I will endeavour to respond adequately to what the hon. Member has asked. Market fluctuations are a part of normal market operations, and what the hon. Member wants to know is, if there are steep fluctuations during a day's

trading, then what do you do. SEBI has very strict, stringent, regulations. In case of unnatural or manipulated fluctuations in the market in a day's trading cycle, SEBI does intervene and cuts off the rigged prices. So, in that sense, the SEBI regulations act as a baffle to exaggeratedly steep market manipulations.

SHRI PARMESHWAR KUMAR AGARWALLA: Many multinational companies with listed Indian arms are creating parallel, 100 per cent, subsidies. The effect of this valuation is on our companies, the Indian companies, and it is hurting the Indian investor. What action is SEBI taking to check this practice?

SHRI JASWANT SINGH: Sir, if I have understood the hon. Member's question correctly, he wants to know what action SEBI proposes to take against FIIs who take over corporate houses through the market route.

SHRI PARMESHWAR KUMAR AGARWALLA: They are creating 100 per cent subsidy.

MR. CHAIRMAN: Dr. Manmohan Singh ... (*Interruptions*)

SHRI JASWANT SINGH: I will endeavour to answer. The subsidy, as the hon. Member knows, can only be created if, through market manipulation, a company or a corporate body is taken over. Now, there are other very strict instructions about take-overs through the market. It is not as simple as that, through market operation, you can take over a company in which you are trading. This is covered not only under the SEBI regulations, but also under the Company Law. It is not done through market operation; there is a strict code in regard to take-overs.

MR. CHAIRMAN: Dr. Manmohan Singh.

DR. MANMOHAN SINGH: Mr. Chairman, Sir, it is well known that our stock markets are characterised by an excessive amount of speculation, and a situation in which the minimum size of public holding is as small as 10 per cent reduces, I think, the amount of floating stock in the market, and it becomes a plaything in the hands of those who want to manipulate the market. So, would the hon. Minister consider asking SEBI or anybody else, who has the responsibility for fixing the minimum size of public offering to raise it from the present level of 10 per cent, which I believe, was reduced some years ago, back to 25 per cent.

SHRI JASWANT SINGH: Sir, as the Leader of the Opposition knows, so far as the listing requirement is concerned, presently, there are two listing percentages, 10 per cent and 25 per cent. As the hon. Leader of the Opposition knows, in the pre-1993 period, if I am not mistaken, there was a different listing requirement, and exemptions not to have the listing percentage was given on an individual basis. Thereafter, in 2001, in consultation with the SEBI, amendments were introduced and we currently have a situation where there is an initial listing requirement of both 10 per cent and, in certain cases, 25 per cent. The hon. Leader of the Opposition's point about not having the floating stock or trading stock, where public trading is being reduced in the process, is a very valid suggestion. The Government will certainly examine it and we will implement it in a proper manner after examining it.

Deposits Insurance Corporation for NBFCs

†*282. SHRI DIPANKAR MUKHERJEE: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether there is any proposal under Government's consideration for dealing with the risks and concerns of the depositors, whose money is held by the Non-Banking Financial Companies; and

(b) whether Government would initiate steps to promote a Deposits Insurance Corporation for the Non-Banking Financial Companies?

THE MINISTER OF FINANCE AND COMPANY AFFAIRS (SHRI JASWANT SINGH): (a) and (b) A Statement is placed on the Table of the House.

Statement

(a) A Task Force under the Chairmanship of Shri C.M. Vasudev, then Special Secretary (Banking), Government of India, considered various suggestions received from different quarters and in October, 1998 made wide ranging recommendations to deal with the problems of depositors of Non Banking Finance Companies.

†Question Nos. 282 and 289 were taken together.